

Nokia cuts losses but sales continue to plummet

April 18 2013, by Matti HUUHTANEN



This is a Wednesday, Sept. 5, 2012 file photo of Stephen Elop, CEO of Nokia, as he introduces its newest smartphone, the Lumia 920, equipped with Microsoft's Windows Phone 8 in New York. Nokia continues to take a hammering in the smartphone market from rivals Samsung and Apple with sales for the handset maker falling by a quarter in the first quarter. Although the Finland-based company managed to reduce its first-quarter net loss to euro272 million (\$357 million) from a loss of euro928 million a year earlier, mainly thanks to cost cutting, net revenue dropped by 25 percent to euro5.8 billion . Nokia's share price plunged 10 percent to 2.39 euros in Helsinki, following the announcement Thursday April 18, 2013. (AP Photo/Mark Lennihan)

Nokia continues to take a hammering in the smartphone market, with sales for the handset maker falling by 20 percent in the first three months of the year.

Although the Finland-based company managed to reduce its first-quarter net loss to 272 million euros (\$357 million) from a loss of 928 million euros a year earlier, that was mainly thanks to cost-cutting. Revenue dropped to 5.8 billion euros from 7.4 billion euros.

Mobile phone sales volumes fell across the globe—especially in China, which saw a 60 percent drop. Sales of smartphone devices dropped 32 percent globally to 1.1 billion euros.

Nokia, the former industry leader, lost its dominant position in the smartphone market when phones using its Symbian smartphone operating system failed to keep up with the likes of Apple's iPhone and handsets that use Google's Android software.

The company had hoped to remedy that by hiring former Microsoft executive Stephen Elop as CEO in 2010 and then teaming up with the U.S. software giant the following year to work on a range of Lumia phones based on the Windows operating system.

Although sales of Lumia phones grew 27 percent in the first quarter, they are still a long way behind those of the Apple iPhone and the Samsung Galaxy range. Total sales of Nokia mobile phones were down by more than 30 percent to 1.59 billion euros in the first three months of the year.

The company is also being squeezed in the low-end "feature phone" market by Asian manufacturers making cheaper handsets, such as China's ZTE.

CEO Stephen Elop said he was pleased that Nokia "achieved underlying operating profitability for the third quarter in a row" but conceded that the company faced a "difficult competitive environment" in mobile phones.

Nokia's share price plunged by more than 8 percent to close at 2.63 euros on the Helsinki Stock Exchange.

Analysts say the company still has a long way to go to establish itself in the smartphone market.

"It can't seem to grow its market share in smartphones," said Neil Mawston from Strategy Analytics in London. He noted the market share had stabilized somewhat compared with previous quarters, but was still some way from recovering.

"The window of opportunity for recovery for Nokia is not as wide as it once was. Their Symbian volumes have collapsed and Microsoft volumes are not rising fast enough to offset that."

Elop gave some indication in a call to analysts Thursday that the company would try to launch more new products to boost its revenues.

"We are taking tactical actions and bringing new innovation to market to address our challenges," he said, without elaborating on what product ranges Nokia was developing.

Elop also acknowledged that the rapid rise of China's handset industry has started to take its toll on Nokia's sales in that country and other emerging markets, adding that Chinese manufacturers are "pushing hard" to price their handsets competitively.

Despite the bad quarterly figures, analysts appear ready to give the

company and Elop more time. Nokia remains the No. 2 phone maker worldwide by volume.

"They are still a major player in the market. There is still an opportunity for recovery there. It only takes one killer device to rebound in this fast-moving market and they can be back in the game," he said.

"Nokia is struggling but it can rebound."

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